

R E P O R T

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS

DECEMBER 31, 2013

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS

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## INDEPENDENT AUDITOR'S REPORT

June 17, 2014

To the Finance Committee and  
Board of Commissioners of  
The Downtown Development District  
of the City of New Orleans

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Downtown Development District of the City of New Orleans (the District), a component unit of the City of New Orleans, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the index to the report.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2013, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the report index, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The non-major governmental funds balance sheet and statement of revenues, expenditures and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The non-major governmental funds balance sheet and statement of revenues, expenditures and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major governmental funds, balance sheet and statement of revenues, expenditures and changes in fund balance are fairly stated in all material respects in relation to the financial statements taken as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

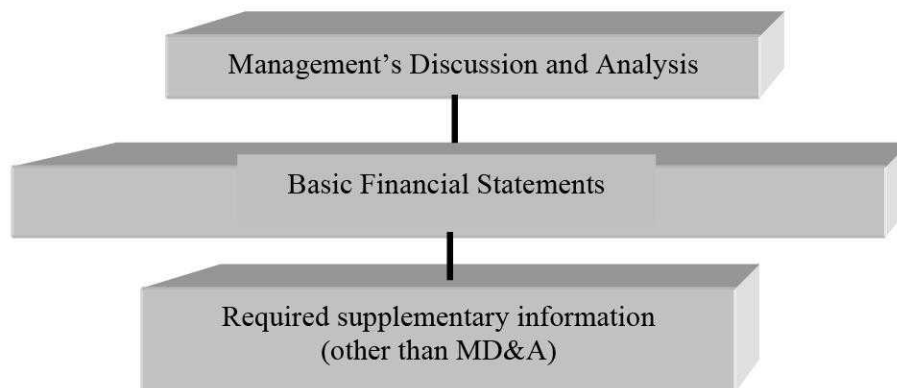
THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

This report offers readers of these financial statements an overview and analysis of the financial activities of The Downtown Development District of the City of New Orleans (the District). This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the District's financial position, identify any material deviations from the approved budget documents and identify individual fund issues or concerns.

### Financial Highlights

- Liabilities exceeded assets at the close of the most recent fiscal year by \$2,160,273 as outlined on the statement of net position. As of December 31, 2013 the District had a deficit net position balance of \$(2,160,273) as compared to \$(2,314,901) as of December 31, 2012. This deficit was caused when the proceeds from the series 2001 bonds were used for various capital improvements to the infrastructure in the vicinity of Canal Street and other areas of the District. The liability for the bonds was recorded on the District's government-wide financial statements; however, these improvements are included in the capital assets of the City of New Orleans.
- The District's total net position increased by \$154,628 during 2013, as compared to an increase of \$70,970 in the prior year. The increase in 2013 net position as compared to 2012 net position was primarily related to an increase in property tax revenue and a decrease in expenses.
- Revenues decreased by \$7,599 during 2013, mainly due to a decrease in grant revenue in the amount of \$324,151.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,084,900, a decrease of \$190,448 from the prior year balance of \$4,275,348.

The following graphic illustrates the minimum requirements for the District established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The statement of net position presents information of all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported on an accrual basis, which requires that all changes be recorded as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods.

The governmental activities reflect the District's basic services including public space maintenance (cleaning, sign maintenance and beautification), public safety (law enforcement, homelessness and code enforcement/quality of life) public safety rangers (public safety assistance and pedestrian and tourism information) marketing (special events, advertising, public relations, communications), economic development (revitalization, business retention and geographic information system) and capital improvements (pedestrian signage, sidewalk replacement reimbursements, façade improvement and transportation). These services are financed primarily with property tax assessments and bonding (debt services) activities.

### **Fund Financial Statements**

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental Funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District has presented the general and the debt service funds as major funds. The other governmental fund is the blended component unit (Downtown Development Unlimited) of the District.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Financial Analysis of the District

Statement of Net Position  
as of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> (Restated)	<u>\$ Variance</u>	<u>% Variance</u>
Assets:				
Current and other assets	\$ 4,348,613	\$ 4,723,766	\$ (375,153)	(7.94) %
Capital assets	<u>148,018</u>	<u>177,399</u>	<u>(29,381)</u>	(16.56)
Total assets	<u>\$ 4,496,631</u>	<u>\$ 4,901,165</u>	<u>\$ (404,534)</u>	
Liabilities:				
Current liabilities	\$ 711,081	\$ 871,822	\$ (160,741)	(18.44)
Long-term liabilities	<u>5,945,823</u>	<u>6,344,244</u>	<u>(398,421)</u>	(6.28)
Total liabilities	<u>\$ 6,656,904</u>	<u>\$ 7,216,066</u>	<u>\$ (559,162)</u>	
Net position:				
Invested in capital assets, net	\$ 148,018	\$ 177,399	\$ (29,381)	(16.56)
Reserved for debt service	264,578	266,427	(1,849)	(0.69)
Unrestricted (deficit)	<u>(2,572,869)</u>	<u>(2,758,727)</u>	<u>185,858</u>	6.74
Total net position	<u>\$ (2,160,273)</u>	<u>\$ (2,314,901)</u>	<u>\$ 154,628</u>	

- The District's net position increased \$154,628 during the current fiscal year. The increase in 2013 net position as compared to 2012 net position was primarily related to an increase on property tax revenue and a decrease in total expenses.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

Statement of Activities  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> (Restated)	<u>\$ Variance</u>	<u>% Variance</u>
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 153,575	\$ 503,171	\$ (349,596)	(69.48)%
General revenues:				
Ad valorem taxes	5,666,770	5,324,618	342,152	6.43
Interest income	8,691	8,846	(155)	(1.75)
Other	-	-	-	(100.00)
Total revenues	<u>5,829,036</u>	<u>5,836,635</u>	<u>(7,599)</u>	
Expenses:				
Administration	1,025,780	965,694	60,086	6.22
Communication and events	530,275	785,577	(255,302)	(32.50)
Economic development	530,420	598,609	(68,189)	(11.39)
Public space operations	2,270,124	2,151,322	118,802	5.52
Public safety	1,107,603	950,564	157,039	16.52
Interest on long-term debt	<u>210,206</u>	<u>313,899</u>	<u>(103,693)</u>	(33.03)
Total expenses	<u>5,674,408</u>	<u>5,765,665</u>	<u>(91,257)</u>	
Change in net position	154,628	70,970	83,658	
Net Position, beginning of year	<u>(2,314,901)</u>	<u>(2,385,871)</u>	<u>70,970</u>	
Net Position, end of year	<u>\$ (2,160,273)</u>	<u>\$ (2,314,901)</u>	<u>\$ 154,628</u>	

The largest source of revenue for the District was ad valorem (property) taxes. The largest source of grant revenue was the federally funded Economic Development Assistance grant used for the District's "One-Way Project" to promote economic development in the City of New Orleans, which decreased by \$324,151 during 2013 as the project was nearing completion.

The most significant increases in expenses were in public space operations and public safety. During 2013, the City of New Orleans hosted the Super Bowl and therefore the DDD incurred additional costs for holiday lighting remaining in place for an extended period and additional special event clean-up. The contract for sidewalk cleaning increased in October 2012 due to new agreement and again in April 2014 due to contracted services at Lafayette Square. Public Safety expenses were up due to increased number of full-time Public Safety Rangers receiving insurance benefits and increased deployment of the police detail.

Other increases in expenses included administrative expenses for increased wages, insurance costs, staff development and travel costs, and for the Downtown photographic documentation project which was undertaken.



THE DOWNTOWN DEVELOPMENT DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

The most significant decrease in expenditures was communications and events. During 2013, the One-Way Project, which was funded by a grant from EDA was in the wrap-up phase, and therefore the expenses were substantially reduced.

### **Capital Assets and Debt Administration**

#### Capital Assets

At December 31, 2013 and 2012, the District had \$148,018 and \$177,399, respectively, invested in capital assets, net of accumulated depreciation consisting principally of office equipment and leasehold improvements. See pages 26 and 27 of the notes to the financial statements for a detail composition of capital assets.

#### Long-term Debt

At December 31, 2013, the District had total bond debt outstanding of \$4,900,000 compared with \$5,205,000 at December 31, 2012. During 2012, the Series 2001 bonds were refunded by the Limited Tax Refunding Bonds, Series 2012. The Series 2001 balance paid off was \$5,450,000 and the proceeds from the 2012 series were \$5,485,000. Principal paid on the 2012 Series bonds during 2013 and 2012 was \$305,000 and \$280,000, respectively. See pages 27-29 of the notes to the financial statements for a description of outstanding long-term debt.

The portion of the District's net position that are invested in capital assets, less any related debt used to acquire those assets that are still outstanding was \$148,018 as of December 31, 2013. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the District's net position represents resources that are restricted for debt service. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

### **General Fund Budgetary Highlights**

The final budget and actual comparisons is on page 33. The final budget variance as compared to the actual balance was an increase of \$1,159,806. This positive variance is primarily due to a decrease in the amount of district-wide improvements anticipated during 2013.

Federal grant revenue decreased \$324,151 during 2013. The District's Economic Development Assistance Grant for its "One Way NOLA Project" was nearing completion as of December 31, 2013.

In total, actual operating expenditures were \$7,954 less than the final budget amounts.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

**Economic Factors and Next Year's Budget**

There are several uncertainties relative to the collection and reporting of ad valorem taxes to the District by the City of New Orleans. Of significant concern is the amount of adjustments and refunds processed by the City of New Orleans each year that are not reported to the District timely. Management is currently working with City administration to obtain a listing of outstanding restoration tax abatements(RTA's) and payments in lieu of taxes(PILOT's), some of which may be due to expire in the near future. Management will also utilize a database of properties on the tax rolls for the District to analyze the adjustments and refunds, so as to understand the reasoning behind them and to help predict if similar reductions might be expected in the future. The District will continue to budget property tax revenue with the latest information available from the City of New Orleans. The District has increased its budget for ad valorem taxes by \$140,000 in 2014. Management expects sufficient revenues to allow for addressing its primary objectives. The development of new programs will be dependent upon the expiration of RTA's or PILOT's, unless additional sources of new funding are developed..

In 2014, the District's work plan reflects a decrease in spending by over \$124,000. This decrease includes reductions in special events clean-up, capital assets purchases, district-wide improvements and elimination of spending on the EDA Grant funded project; along with, increases in spending on police detail officers, graffiti removal, trash receptacles, digital media, donor relations and insurance premiums.

**Significant Events**

During 2013, construction of the University Medical Center (UMC) and Veterans Affairs Medical Center (VAMC) continued. The UMC will open in 2015 and the VAMC in 2017. These developments are expected to bring 3,000 newly created jobs to Downtown. The New Orleans Bio-Innovation Center opened in 2011 and is currently 64% occupied. Additionally, jobs in the digital media industry continued to increase, bringing the total to 1,105 by the end of 2013.

The District continued to see an increase in the number of residential units and residents. 2013 brought the announcement of or beginning construction on 1252 new residential units in Downtown, including the 700 unit South Market project containing 160,000 sq. ft. of new retail and restaurants. There was also growing activity on the retail front with the addition of new retail establishments Downtown, including Tiffany and Starbucks on Canal Street. Construction commenced on the 250,000 sq. ft., 43-store Outlet Collection at Riverwalk, including Neiman Marcus Last Call Studio, Forever 21, and It'Sugar, three brands that the DDD had worked to attract to Downtown for up to three years in the case of Neiman Marcus.

Additionally, the District welcomed the National World War II Museum, continuing its role in attracting tourists to New Orleans, consistent with the City's goal of increasing New Orleans visitorship from the record 9.3 million in 2013.

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Finally, the DDD played a major role in Super Bowl XLVII, one of the most successful events in history. The DDD worked with other officials in planning and implementing the hospitality, public safety, cleaning, transportation and parking plan. The event, which put the city and Downtown on the world stage, was a tremendous public relations success for New Orleans and is expected to produce increased visitorship and associated economic benefits for years to come.

**Contacting the District's Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the administration at 201 St. Charles Avenue, Suite 3912, New Orleans, Louisiana 70170-3912 or 504-561-8927.

THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS:

Unrestricted:

Cash and cash equivalents	\$ 3,631,726
Ad valorem taxes receivable, net	271,143
Due from other governments	25,125
Other receivables	39,336
Prepaid expenses	116,705
Total unrestricted current assets	<u>4,084,035</u>

Restricted:

Cash and cash equivalents	264,578
Total restricted current assets	<u>264,578</u>
Total current assets	<u>4,348,613</u>

NONCURRENT ASSETS:

Capital assets, net of accumulated depreciation	148,018
Total noncurrent assets	<u>148,018</u>
Total assets	<u>4,496,631</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and current liabilities	263,713
Compensated absences payable	48,947
Bonds payable	315,000
Loans payable -State of Louisiana	83,421
Total current liabilities	<u>711,081</u>

NONCURRENT LIABILITIES:

Bonds payable	4,585,000
Loans payable -State of Louisiana	1,360,823
Total noncurrent liabilities	<u>5,945,823</u>
Total liabilities	<u>6,656,904</u>

NET POSITION

NET POSITION:

Net investment in capital assets	148,018
Restricted for debt service	264,578
Unrestricted (deficit)	<u>(2,572,869)</u>
Total net position	<u>\$ (2,160,273)</u>

The notes to the financial statements are an integral part of this statement

THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

FUNCTIONS	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Assets</u>
Administration	\$ 1,025,780	\$ -	\$ -	\$ -	\$ (1,025,780)
Communications and events	530,275	-	81,045	-	(449,230)
Economic development	530,420	-	53,729	-	(476,691)
Public space operations	2,270,124	-	18,801	-	(2,251,323)
Public safety	1,107,603	-	-	-	(1,107,603)
Interest on long-term debt	210,206	-	-	-	(210,206)
Total activities	<u>\$ 5,674,408</u>	<u>\$ -</u>	<u>\$ 153,575</u>	<u>\$ -</u>	<u>(5,520,833)</u>
GENERAL REVENUES:					
Ad valorem taxes					5,666,770
Interest					8,691
Total general revenues					<u>5,675,461</u>
Change in net Position					<u>154,628</u>
Net position, beginning of year before restatement					(2,222,572)
Cumulative effect of change in accounting principle, GASB 65					(92,329)
Net position, beginning of year as restated					<u>(2,314,901)</u>
NET POSITION, END OF YEAR					<u>\$ (2,160,273)</u>

The notes to the financial statements are an integral part of this statement

THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
CASH AND CASH EQUIVALENTS:				
Cash and cash equivalents	\$ 1,154,848	\$ -	\$ 5,950	\$ 1,160,798
Cash and cash equivalents held by the Board of Liquidation (unrestricted)	2,470,928	-	-	2,470,928
Cash and cash equivalents held by the Board of Liquidation (restricted)	-	264,578	-	264,578
Receivables:				
Ad valorem taxes (net of allowance for uncollectible taxes of \$276,616)	271,143	-	-	271,143
Grants receivables	25,125	-	-	25,125
Other receivables	39,336			39,336
Prepaid expenses	<u>116,705</u>	<u>-</u>	<u>-</u>	<u>116,705</u>
Total assets	<u>\$ 4,078,085</u>	<u>\$ 264,578</u>	<u>\$ 5,950</u>	<u>\$ 4,348,613</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts and other payables	\$ <u>263,713</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>263,713</u>
Total liabilities	<u>\$ 263,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,713</u>
Fund Balances:				
Non- spendable	\$ 116,705	\$ -	\$ -	\$ 116,705
Restricted for debt service	-	264,578	-	264,578
Unassigned	<u>3,697,667</u>	<u>-</u>	<u>5,950</u>	<u>3,703,617</u>
Total fund balances	<u>\$ 3,814,372</u>	<u>\$ 264,578</u>	<u>\$ 5,950</u>	<u>\$ 4,084,900</u>
Total liabilities and fund balances	<u>\$ 4,078,085</u>	<u>\$ 264,578</u>	<u>\$ 5,950</u>	<u>\$ 4,348,613</u>

The notes to the financial statements are an integral part of this statement

THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2013

Total governmental fund balances		\$ 4,084,900
Amounts reported for governmental activities in statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	\$ 490,561	
Less: accumulated depreciation	<u>(342,543)</u>	148,018
Long-term liabilities not reported in the governmental funds:		
Compensated absences	(48,947)	
Bonds payable	(4,900,000)	
Loans payable - State of Louisiana	<u>(1,444,244)</u>	<u>(6,393,191)</u>
Net position		\$ <u>(2,160,273)</u>

The notes to the financial statements are an integral part of this statement

THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Ad valorem taxes, net of collection fees of \$236,282	\$ 5,666,770	\$ -	\$ -	\$ 5,666,770
Intergovernmental, federal sources - direct	53,729	-	-	53,729
Interest	8,296	395	-	8,691
Other	89,845	-	10,000	99,845
Total revenues	<u>5,818,640</u>	<u>395</u>	<u>10,000</u>	<u>5,829,035</u>
EXPENDITURES				
Current:				
Administration	1,003,331	-	181	1,003,512
Communications and events	514,218	-	10,000	524,218
Public space operations	2,243,560	-	-	2,243,560
Public safety	1,094,641	-	-	1,094,641
Economic development	524,065	-	-	524,065
Capital outlays	34,559	-	-	34,559
Debt service:				
Principal payments	-	384,722	-	384,722
Interest on long-term debt	-	210,206	-	210,206
Total expenditures	<u>5,414,374</u>	<u>594,928</u>	<u>10,181</u>	<u>6,019,483</u>
Excess of revenues (deficit) over expenditures before other financing sources (uses)	404,266	(594,533)	(181)	(190,448)
Other financing sources (uses):				
Operating transfer out	(592,684)	-	-	(592,684)
Operating transfer in	-	592,684	-	592,684
Other financing sources (uses)	<u>(592,684)</u>	<u>592,684</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(188,418)	(1,849)	(181)	(190,448)
Fund balances at beginning of the year	<u>4,002,790</u>	<u>266,427</u>	<u>6,131</u>	<u>4,275,348</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,814,372</u>	<u>\$ 264,578</u>	<u>\$ 5,950</u>	<u>\$ 4,084,900</u>

The notes to the financial statements are an integral part of this statement



THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
 RECONCILIATION OF GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Net changes in fund balances - total governmental funds \$ (190,448)

Amounts reported for governmental activities in the  
 statement of activities are different because:

Governmental funds report capital outlays as expenditures.  
 However, in the statement of activities, the cost of those assets  
 is allocated over their estimated useful lives and reported  
 as depreciation expense. This is the amount by which  
 depreciation exceeds capital outlay for the current period.

Capital outlays	\$ 34,559	
Depreciation expense	<u>(63,940)</u>	(29,381)

The issuance of long-term debt provides current financial resources to  
 governmental funds, while the repayment of the long-term debt consumes  
 the current financial resources of governmental funds. These  
 transactions have no effect on net assets.

Payment on refunding bonds	\$ 305,000	
Principal payments on long-term debt	<u>79,722</u>	384,722

Compensated absence expenses are reported in the statement  
 of activities, but do not require the use of current financial  
 resources and therefore are not reported as expenditures in  
 governmental funds.

Change in compensated absences		<u>(10,265)</u>
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Change in net position of governmental activities	\$	<u><u>154,628</u></u>
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The notes to the financial statements are an integral part of this statement

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

INTRODUCTION

Act 498 of 1974 as amended and reenacted by Act 124 of 1977 of the State of Louisiana Legislature effective January 1, 1975, created a special taxing district designated “the Core Area Development District of the City of New Orleans”, comprised of all the territory within the following prescribed boundaries:

The point of beginning shall be at the intersection of the east bank of the Mississippi River and the Mississippi River Bridge approaches and Pontchartrain Expressway; thence continuing along the upper line of the Pontchartrain Expressway right-of-way less and except ramp areas, and in a northwesterly direction to Lake Pontchartrain side right-of-way line of Claiborne Avenue; thence northeasterly along the lake side of said right-of-way of Claiborne Avenue to the lower right-of-way of Iberville Street to the east bank of said to the upper right-of-way line of the Mississippi River Bridge approaches and Pontchartrain Expressway, being the point of beginning.

Act 307 of the State of Louisiana Legislature effective July 10, 1978, changed the name of the District to The Downtown Development District of the City of New Orleans.

Acts 498 and 124 also created a Board of Commissioners for The Downtown Development District of the City of New Orleans (the District) composed of eleven members for governance of the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Financial Reporting Entity:

GASB Statement No. 14, *The Financial Reporting Entity*, establishes standards for defining and reporting on the financial entity. The standards indicate that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special purpose government that meets all of the following criteria: a) has a separately elected governing body, b) is legally separate, and c) is fiscally independent of other state and local governments.

As previously discussed, state statute established the District as a separate, legal entity with a governing body which is separate and independent of any other governmental “reporting entity”, as defined by the standards. However, the District is dependent primarily on real estate tax assessments to conduct its business.

For financial reporting purposes, the District is a component unit of the City of New Orleans. As such, the financial statements of the District are included in the financial statements of the City of New Orleans. All activities of the District are included in this report.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Financial Reporting Entity: (Continued)

In addition, the financial reporting entity consists of the District and its blended component unit. A blended component unit is a legally separate organization for which the District is financially accountable. Financial accountability is present if the District appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

Blended Component Unit:

The Downtown Development Unlimited (DDU), a 501(c)(3) non-profit corporation without capital stock is blended with the District for financial statement purposes because the component unit's governing body is comprised of the Executive Committee of the District and because the component unit exclusively serves the District. The financial statements of this blended component unit may be obtained from the District's office.

This corporation was organized for and to carry on the following purposes:

To establish a permanent promotional program pointed towards a progressive and dynamic central downtown New Orleans; to preserve and expand central downtown New Orleans as a regional business and shopping area for the general benefit of the metropolitan area of New Orleans, and its surrounding markets; to cooperate with all members of the corporation through group action on common problems, and to cooperate with the City Council of the City of New Orleans, other governmental bodies, civic organizations, and other interested groups or individuals, in solving the civic, business and commercial problems of the City of New Orleans, to alleviate parking problems and other problems resulting from congestion; to improve the appearance of the central downtown area; and generally to promote, aid and assist in developing a better central downtown New Orleans for the use and benefit of everyone.

Basis of Presentation:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

During 2013, the District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under this standard, certain items that were previously reported as assets and liabilities are now required to be recognized as outflows of resources or inflows of resources or in some cases as expenses or expenditures.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District and its blended component unit. The effect of the inter-fund activity has been removed from these financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers who purchase, use or directly benefit from services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or identifiable activity. Ad valorem taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Those revenues susceptible to accrual, such as property taxes, are recorded as revenue in the year for which they are levied except for taxes paid under protest. Protested taxes are recorded when they become available.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Interest on delinquent taxes and earned on checking accounts is recorded as revenue when received in cash by the Board of Liquidation, City Debt (the Board) or the District because it is generally not measurable in relation to delinquent taxes or available in relation to checking accounts. Interest on investments is recorded as revenue when earned. The Board is a component unit of the City of New Orleans. The Board has exclusive control and direction of all matters relating to bonded debt of the City of New Orleans.

In addition, the Board manages the investment activity of the District's bond proceeds and tax collection funds.

Miscellaneous contributions for projects are recognized as revenues in the period received by the District or the City of New Orleans on behalf of the District. When the contribution is provided as a direct funding of a project, such amounts are recognized as revenue when the related costs are incurred.

The District reports the following major governmental funds:

The General Fund – is the primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

The Debt Service Fund – accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the District.

The District recognizes assets, liabilities, revenues and expenses under government mandated and voluntary non-exchange transactions when all applicable eligibility and time restrictions have been met.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Legal Compliance – Budgets:

The District follows the procedures prescribed by Act 478 as amended by the State of Louisiana Legislature effective January 1 1997. Relevant portions of those procedures are:

- The Board of Commissioners of the District shall prepare, or cause to be prepared, a plan or plans specifying the public improvements, facilities and services proposed to be furnished, constructed or acquired for the District.
- Any plan shall include: (a) an estimate of the annual and aggregate cost of acquiring, constructing or providing the services, improvements or facilities set forth therein; (b) the proportion of tax to be levied on the taxable real property within the District which is to be set aside and dedicated to pay the cost of furnishing specified services, and the proportion of such tax to be set aside and dedicated to pay the cost of capital improvements or pay the cost of debt service on any bonds to be issued to pay the cost of capital improvements; and (c) an estimate of the aggregate number of mills required to be levied in each year on the taxable real property within the District to provide the funds required for implementation of the plan.
- After completion, the plan shall be submitted to the Planning Commission of the City of New Orleans for review. The Planning Commission must submit the plan to the City Council within thirty (30) days of receipt thereof, together with its written comments and recommendations.
- The City Council may by a majority of its members accept or reject the plan based upon its consistency with the City's overall plan. If accepted, the plan may be implemented.
- Upon acceptance, the plan budget and the appropriation funds for its implementation are incorporated by the City of New Orleans into its normal budget process. Under this process, appropriations for the District's "Service" operations (operating budget) expire at year end, except for amounts the City has encumbered on behalf of the District. Such amounts are carried forward until they are cleared. Appropriations for capital outlays (capital budget) continue in force until the project is completed or cancelled normally and the City Council passes an ordinance of resolution to close.

The District, through ordinances approved by the City Council, can amend the budget at its discretion.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, demand deposits and money market accounts.

Investments:

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Office's investment policy. Louisiana Revised Statute (R.S.) 33:2955 authorizes the Office to invest in (1) direct obligations of the United States Treasury, the principal and interest of which are fully guaranteed by the federal government, (2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. government instrumentalities, (3) direct security repurchase agreements of any federal book entry only securities, (4) time certificates of deposits of state banks organized under the laws of Louisiana and national banks having their principal offices in the state of Louisiana, savings accounts or shares of savings and loan associations, (5) in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies, or (6) guaranteed investment contracts issued by a bank, financial institution, insurance company or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financial program approved by the State Bond Commission.

In accordance with government account standards, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value as determined by quoted market prices; except that short-term, highly liquid investments that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Discounts and/or premiums on investment purchases are amortized over the life of the investment.

Receivables:

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated uncollectible amounts are based on historical experience rates. The allowance for uncollectible ad valorem taxes receivable was \$276,616 at December 31, 2013.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund level financial statements.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

The District's capitalization policy requires that all single assets costing \$500 or more be capitalized and depreciated over their useful lives. Single assets costing less than \$500 are expensed. All assets regardless of costs are tracked by the District.

The straight-line method of depreciation is used for all classes of capital assets, and the allocation of depreciation expense begins on the first day of the nearest month of the year in which the capital asset is purchased. Based on its own experience, the District established the following estimated useful lives for each asset class:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Public Works	5 – 7 years
Motor Vehicles	5 years
Computer Equipment	3 – 5 years
Office Equipment	7 years
Office Furniture and Fixtures	7 years
Promotional Equipment	5 years
Computer Software	3 years

All capital assets acquired or donated are valued at historical cost or estimated historical cost if actual historical cost is not available.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are recorded as expenditures.

The proceeds from Series 2001 bonds were used for various capital improvements to the infrastructure in the vicinity of Canal Street and other areas within the District. These improvements are included in the capital assets of the City of New Orleans. The 2001 series was refunded in 2012 and a new 2012 series was issued.

Long-term Debt:

In the government-wide financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.



THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Long-term Debt: (Continued)

In the fund level financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized in the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences:

While paid time off is accrued when earned for government-wide financial statements, it is recognized when paid in the governmental fund financial statements. Compensated absences are paid by the general fund.

Net Position:

In the government-wide financial statements, the difference between the District's assets and liabilities is recorded as net position. The three components of net position are as follows:

Invested in capital assets, net of related debt – The category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

Restricted net position – Net positions that are restricted by external sources such as creditors, grantors, contributors, or by law are reported separately as restricted net position.

Certain proceeds of the District's ad valorem taxes set aside for debt service payments are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Unrestricted net position – consists of net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Governmental Fund Balances:

Generally, governmental fund balances present the difference between the assets and liabilities under the current financial resources measurement focus of accounting. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Governmental Fund Balances: (Continued)

- Non-spendable fund balance—amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance—amounts constrained for specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained for specific purposes by the District itself, using its highest level of decision-making authority, the Board of Commissioners. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose that are neither considered restricted nor committed. Intent can be expressed by the District or by an official or body to which the District delegates the authority. Under the District's policy, the Board of Commissioners can approve the assigned amounts for specific purposes.
- Unassigned fund balance—the residual amount of fund balance which does not fall into one of the other components.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the District to generally consider restricted amounts to be reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the District that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used. The District does not have a formal minimum fund balance policy.

Employee Benefits:

The District has a defined contribution retirement plan and group life insurance for its employees. The contributions to the retirement plan are discretionary. These benefits are recognized when paid.

Other Financing Sources (Uses):

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying event occurs.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

2. PROPERTY TAXES:

On November 17, 1975, the City obtained approval in a referendum for an additional 6-1/2 mills ad valorem tax on property within the District for the calendar years 1976 and 1977.

On October 1, 1977, the City obtained approval in a referendum to authorize the Council of the City of New Orleans to levy provisions of the Louisiana Constitution of 1974 and Subsection 1.I of Louisiana Act No. 124 of 1977 upon all taxable real property for ten years for special improvements, facilities, services and the issuance of bonds as provided in the said Act, and to ratify the establishment of the District.

On April 7, 2001, pursuant to the Special Election held in accordance with Article VII, Section 23(c) of the 1974 Louisiana Constitution, the registered voters of the City of New Orleans approved the continued authority of the District to levy a property tax not to exceed 22.97 mills for an additional twenty five (25) years beginning with the year 2005 and ending with the year 2029.

In accordance with the State Constitution, the District will maintain its mills on real property at 21.32 mills. Collection has been suspended at 14.76 mills for the year ended December 31, 2013. The District levied 14.76 mills on real property within its area for 2013. Taxes on real property are levied on January 1 and payable on January 1. Billings are delinquent February 1 and are subject to lien and the assessment of penalties and interest. Property taxes levied for 2013, collected during 2013, or expected to be collected in 2013 are recognized as revenues in 2013. Taxes levied for 2014, but collected in 2013, are reflected as unearned revenues.

All property taxes are levied and collected by the City of New Orleans. Taxes collected, and any interests thereon, are to be deposited with the Board of Liquidation to the account of the District.

Certain property owners made tax payments under protest which had not been resolved at December 31, 2013, in the amount of \$288,493. As of December 31, 2013, these funds are held in escrow by the City of New Orleans.

3. LEVY OF TAX ASSESSMENT:

According to LA Revised Statute Section 47:1957, there is no express limitation on an assessor's ability to retroactively revise or adjust past assessments. As such, a tax assessor may revise or adjust past assessments for as many past years as his/her discretion dictates. To that extent, the ad valorem tax revenue for the District will always be subject to retroactive adjustments as in the current year.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following as of December 31, 2013:

	<u>Amount</u>
Cash on hand	\$ 300
Demand deposits	1,105,147
Money market accounts	<u>2,790,857</u>
Total cash and cash equivalents	<u>\$ 3,896,304</u>

Restricted Cash and Cash Equivalents:

At December 31, 2013, the Board of Liquidation, as fiscal agent of the District, held on their behalf cash and money market accounts in the amount of \$2,735,505. Of this amount, \$264,578 was restricted for debt service obligations.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are to be secured by federal depository insurance or the pledge of securities held by the pledging bank's agent in the District's name. As of December 31, 2013 demand deposits and money market account bank balances of \$1,169,763 were entirely secured by federal deposit insurance and pledged securities held by financial institutions in the name of the District. Cash and money market accounts held by the Board of Liquidation in the amount of \$2,735,505 were fully covered by pledged securities held by financial institutions in the name of the Board of Liquidation, acting as fiscal agent for the District.

5. CAPITAL ASSETS:

A summary of changes in capital assets follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Office furniture	\$ 126,525	\$ 720	\$ -	\$ 127,245
Computer equipment	72,471	5,900	-	78,371
Leasehold improvements	172,176	-	-	172,176
Office equipment	6,899	15,454	-	22,353
Motor vehicles	68,094	-	-	68,094
Public works property	<u>9,838</u>	<u>12,485</u>	<u>-</u>	<u>22,323</u>
Subtotal	456,003	34,559	-	490,562
Less: accumulated depreciation	<u>(278,604)</u>	<u>(63,940)</u>	<u>-</u>	<u>(342,544)</u>
Total	<u>\$ 177,399</u>	<u>\$ (29,381)</u>	<u>\$ -</u>	<u>\$ 148,018</u>

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

5. CAPITAL ASSETS: (Continued)

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
Administration	\$ 12,003
Communications and events	6,205
Economic development	6,207
Public space operations	26,564
Public safety	<u>12,961</u>
Total	<u>\$ 63,940</u>

6. LONG-TERM DEBT:

The following is a summary of the long-term debt obligation transactions for the year ended December 31, 2013:

<u>Long-Term Debt</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
DDD Limited Tax Refunding Bonds Series 2012	\$5,205,000	\$ -	\$ (305,000)	\$ 4,900,000	\$ 315,000
Cooperative Endeavor Agreement	<u>1,523,966</u>	<u>-</u>	<u>(79,722)</u>	<u>1,444,244</u>	<u>83,241</u>
Total	<u>\$ 6,728,966</u>	<u>\$ -</u>	<u>\$ (384,722)</u>	<u>\$ 6,344,244</u>	<u>\$ 398,421</u>

Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Total interest expense incurred for the year ended December 31, 2013 was \$210,206.

Bonds:

On January 18, 2001, the City Council of the City of New Orleans adopted a resolution approving and authorizing the issuance of bonds in an amount not to exceed \$10,000,000. The proceeds derived from the sale of the bonds were used to finance the cost of capital improvements within the District.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

6. LONG-TERM DEBT: (Continued)

Bonds: (Continued)

Pursuant to LA. R.S. 33:2740.3, as amended and consequent to voter approval resulting from elections held on April 7, 2001, the District issued \$7,375,000 in bonds. The Downtown Development District Limited Tax Bonds, series 2001, was sold on May 31 2001, and delivered on July 1, 2001. The bonds were dated July 1, 2001 and due on December 1, 2001 through December 1, 2026 and bore interest ranging from 4.2% to 6.6%.

The Series 2001 bonds were refunded by the Limited Tax Refunding Bonds, Series 2012 on July 9, 2012. The reacquisition price of the Series 2001 was the same as the carrying value of the bonds.

On June 13, 2012, the District issued \$5,485,000 of Limited Tax Refunding Bonds, Series 2012 for the purpose of refunding the Limited Tax Bonds, Series 2001. The bonds mature December 1, 2026 and bear a fixed interest rate of 2.68%. At December 31, 2013, \$4,900,000 of the bonds was outstanding.

Interest rates on the Series 2001 bonds ranged from 4.2% to 6.6%, whereas the interest rate on the Series 2012 bonds is fixed at 2.68%. The decrease in interest rates resulted in an economic gain on the refunding of \$839,168 (the difference between the present values of the Series 2001 and Series 2012 cash flows). The current refunding results in a reduction of debt service payments in the amount of \$1,114,502 through the maturity of the bonds in December 2026.

Payment of principal and interest on the Series 2012 bonds will be solely from and secured by an irrevocable pledge and dedication of the proceeds derived from the levy and collection of taxes upon all taxable real property located within the boundaries of the District. At December 31, 2013, the Board of Liquidation, City Debt has \$264,578 on the Series 2012 bonds held in escrow for the payment of future debt service in connection with the bonds issued.

The annual requirements to amortize principal and interest on bonds outstanding at December 31, 2013 are as follows:

<u>Year Ending</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2014	\$ 315,000	\$ 131,320	\$ 446,320
2015	320,000	122,878	442,878
2016	330,000	114,302	444,302
2017	345,000	105,458	450,458
2018	350,000	96,212	446,212
2019 – 2023	1,930,000	333,928	2,263,928
2024 – 2027	<u>1,310,000</u>	<u>70,886</u>	<u>1,380,886</u>
Totals	<u>\$ 4,900,000</u>	<u>\$ 974,984</u>	<u>\$ 5,874,984</u>

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

6. LONG-TERM DEBT: (Continued)

Cooperative Endeavor Agreement – State of Louisiana:

On July 19, 2006, the District and the State of Louisiana entered into a Cooperative Endeavor Agreement whereby the State, through the Gulf Opportunity Zone Act of 2005 and its implementation through Act 41 of the Louisiana Legislature, provided debt assistance in the amount of \$1,600,153 related to the Limited Tax Bonds, series 2001. The debt assistance was due to the disruption of tax bases and revenue streams caused by Hurricanes Katrina and Rita. The agreement matures in twenty years with no principal or interest due during the first five years of the loan. After the expiration of the initial five-year period, principal and interest at a rate of 4.64% will be repaid semi-annually over the remaining fifteen-year period. At December 31, 2013, the balance owed to the State of Louisiana under the agreement is \$1,444,244.

At December 31, 2013, the future payments on the cooperative endeavor agreement with the State of Louisiana are as follows:

<u>Year Ending</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2014	\$ 83,421	\$ 67,013	\$ 150,434
2015	87,292	63,142	150,434
2016	91,342	59,092	150,434
2017	95,580	54,854	150,434
2018	100,015	50,419	150,434
Thereafter	<u>986,594</u>	<u>216,877</u>	<u>1,203,471</u>
Totals	<u>\$ 1,444,244</u>	<u>\$ 511,397</u>	<u>\$ 1,955,641</u>

7. COMPENSATED ABSENCES:

Employees generally receive Paid Time Off (PTO), which can be used for vacation or for sick leave, at the following levels: full-time employees employed six through twelve months receive fifteen (15) days, full-time employees employed one through five years receive twenty (20) days; full-time employees employed six through ten years receive twenty-five (25) days; full-time employees employed eleven years through nineteen years receive thirty (30) days; and full-time employees employed for twenty or more years receive forty (40) days. All earned PTO pay is fully vested. PTO can be accumulated and carried forward up to twenty (20) days each year end.

Compensated absence activity for the year ended December 31, 2013 was as follows:

	<u>Amount</u>
Beginning Balance	\$ 38,682
Additions	114,287
Reductions	<u>(104,022)</u>
Ending Balance	<u>\$ 48,947</u>

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

8. DEFICIT NET POSITION:

As of December 31, 2013, the net position of the District shows a deficit balance of \$2,160,273. This deficit was caused when the proceeds from bonds were used for various capital improvements to the infrastructure in the vicinity of Canal Street and other areas within the District. The liability for the bonds is recorded on the District's government-wide financial statements; however, these improvements are included in the capital assets of the City of New Orleans. This deficit will be reduced through future property tax revenues.

9. INTERFUND TRANSFERS:

Transfers are used to move funds from the general fund to the debt service fund to maintain necessary balances with bond covenants. During 2013, the general fund transferred out \$592,684 to the debt service fund.

10. EMPLOYEE RETIREMENT PLAN AND WHOLE LIFE INSURANCE:

Retirement Plan:

In 1993, the District established a defined contribution retirement plan for its employees. Effective January 1, 2012, the District changed its contributions to the plan to 3% of eligible employees' salaries, regardless of any contribution from employees. The District also matches 3% of employee voluntary contributions, limited to 3% of the employee's salary. All full-time employees twenty-one years of age and over are eligible to participate in the plan.

The plan's effective date was January 1, 1993. All contributions made to the plan are the property of the plan and the participating employees. Management of the plan's assets includes the ability to establish and amend plan provisions and any costs related to its operations, and is the sole responsibility of the Trustee(s) and the Administrator of the Downtown Development District Employee Retirement Trust – Federal EIN 72-1241070. The District's contribution to the plan in 2013 was \$52,184 which was paid to American United Life for deposit with designated fund agencies who are to manage the investment of the plan's assets. Total contributions made by employees were \$35,523 for the year ended December 31, 2013.

Life Insurance:

In conjunction with the development of the above retirement plan, but not a part of that plan, the District, in 1993, established an additional benefit in the form of whole life insurance policies for each of its employees. The amount of insurance provided to each employee is \$200,000. The insurance policies are purchased in the name of and owned by each employee. Monthly premiums are paid by the District to MetLife Group Benefits and Lincoln National Life. Premiums paid in 2013 by the District for these employee policies total \$15,937.



THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

11. COMMITMENTS:

Operating Leases:

The District leases office space at 201 St. Charles Avenue. The lease commenced in April 2006 and expires in March 2016. Future minimum rental payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2014	\$ 120,008
2015	121,329
2016	<u>30,332</u>
Total	<u>\$ 271,669</u>

Office space rental expenditures were \$135,547 during the year ended December 31, 2013.

Façade and Sidewalk Improvement Grants:

During 2013, the District approved grants for façade and sidewalk improvements. As of December 31, 2013, the District did not have any outstanding grants payable. Façade and sidewalk improvement expenditures totaled \$165,560 for the year ended December 31, 2013.

12. CONTINGENCIES – LITIGATION:

The District is a defendant in various lawsuits such as personal injury, property damage, and other employment related claims. These claims are covered by insurance subject to a deductible per occurrence. Attorneys of the District have reviewed these claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the District. Loss contingencies have been estimated to be immaterial. Therefore, no accrual has been recorded in these financial statements.

13. CONTINGENCIES – GRANT PROGRAMS:

The District participates in state and federal grant programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of money received and the collectability of any related receivable as of December 31, 2013 might be impaired. In management's opinion there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the District.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

14. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and material disasters for which the District carries errors and omissions and natural disaster commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

15. REVENUE CONCENTRATION:

The District's current principal source of revenues consists mainly of property taxes assessed.

16. PER DIEM PAID TO BOARD OF COMMISSIONERS:

The Board of Commissioners in the capacity as board members received no per diem amounts for the year ended December 31, 2013.

17. RELATED PARTIES:

Various members of the District's Board of Commissioners are members of the boards of other non-profit organizations that may receive part of their funding for the performance of certain programs from the District. None of these members receive any form of compensation from any of these organizations.

18. ACCOUNTING CHANGE – IMPLEMENTATION OF GASB 65:

As a result of the implementation of GASB Statement No. 65, beginning net position has been restated in the government-wide statement of activities, effectively decreasing net position as of January 1, 2013 by \$92,329. The decrease results from no longer deferring and amortizing bond issuance costs.

THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:				
Internal sources (concerts, state, federal, etc.)	\$ 594,875	\$ 284,651	\$ 143,574	\$ (141,077)
Ad valorem taxes	<u>5,603,254</u>	<u>5,654,268</u>	<u>5,666,770</u>	<u>12,502</u>
Total operating revenues	<u>6,198,129</u>	<u>5,938,919</u>	<u>5,810,344</u>	<u>(128,575)</u>
Operating Expenditures:				
Administration	969,998	981,047	1,003,331	22,284
Communications and events	742,364	573,146	514,218	(58,928)
Public space operations	2,259,985	2,272,769	2,243,560	(29,209)
Public safety	1,046,294	980,843	1,094,641	113,798
Economic development and planning	521,760	538,169	524,065	(14,104)
Capital outlays	<u>62,800</u>	<u>76,354</u>	<u>34,559</u>	<u>(41,795)</u>
Total operating expenditures	<u>5,603,201</u>	<u>5,422,328</u>	<u>5,414,374</u>	<u>(7,954)</u>
Net operating income	<u>594,928</u>	<u>516,591</u>	<u>395,970</u>	<u>(120,621)</u>
Non-Operating Revenue:				
Interest	<u>-</u>	<u>-</u>	<u>8,296</u>	<u>8,296</u>
Total non-operating revenue	<u>-</u>	<u>-</u>	<u>8,296</u>	<u>8,296</u>
Non-Operating Expenses:				
Canal Street/District-wide capital improvements	<u>2,000,000</u>	<u>1,269,887</u>	<u>-</u>	<u>* (1,269,887)</u>
Total non-operating expenditures	<u>2,000,000</u>	<u>1,269,887</u>	<u>-</u>	<u>(1,269,887)</u>
Surplus (deficit) of revenue over expenditures before other financing uses	(1,405,072)	(753,296)	404,266	1,157,562
Operating transfers in	-	-	-	-
Operating transfers out	<u>(594,928)</u>	<u>(594,928)</u>	<u>(592,684)</u>	<u>2,244</u>
Net change in fund balances	(2,000,000)	(1,348,224)	(188,418)	1,159,806
Fund balance at the beginning of year	<u>4,002,790</u>	<u>4,002,790</u>	<u>4,002,790</u>	<u>-</u>
Fund balance at the end of year	<u>\$ 2,002,790</u>	<u>\$ 2,654,566</u>	<u>\$ 3,814,372</u>	<u>\$ 1,159,806</u>

\* \$259,216 actual expenditures allocated to operating expenditures

THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
SUPPLEMENTARY INFORMATION  
NON-MAJOR GOVERNMENTAL FUND  
BALANCE SHEET  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

Downtown  
Development  
Unlimited

A S S E T S

Assets

Cash and cash equivalents

\$ 5,950

Total assets

\$ 5,950

F U N D   B A L A N C E

Fund Balance

Unassigned

\$ 5,950

Total fund balance

\$ 5,950

THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
 SUPPLEMENTARY INFORMATION  
 NONMAJOR GOVERNMENTAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Downtown Development <u>Unlimited</u>
Revenue:	
Other	\$ <u>10,000</u>
Total revenue	<u>10,000</u>
Expenditures:	
Administration	181
Communications and events	<u>10,000</u>
Total expenditures	<u>10,181</u>
Excess of expenditures over revenue	(181)
Fund balance:	
Beginning of year	<u>6,131</u>
End of year	\$ <u><u>5,950</u></u>

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MEMBERS  
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JAMES MAHER, JR., C.P.A. (1921-1999)

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

June 17, 2014

To the Finance Committee and the  
Board of Commissioners of  
The Downtown Development District of the City of New Orleans

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Downtown Development District of the City of New Orleans (the District), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a significant deficiency.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-1 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct or material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal Control Other Financial Reporting:

- |   |     |
|---|-----|
| • Material weakness(es) identified  | No  |
| • Significant Deficiency(s) identified that are not considered to be material weaknesses? | Yes |

Noncompliance material to financial statements noted: No

**Section II - Findings Required to be Reported Under Generally Accepted Governmental Auditing Standards**

Communications with the City of New Orleans: (2013-1)

Condition

The District has for several years had difficulty obtaining timely and accurate information from the City of New Orleans in connection with its share of ad valorem tax assessments, collections and disbursements. The 2013 information was not received timely.

Criteria

The management of the District should have direct and frequent communications with the City of New Orleans in order to obtain a correct accounting of the ad valorem taxes received from the City of New Orleans on a timely basis.

Cause

The City of New Orleans has not implemented a system to facilitate the timely reporting of ad valorem tax information to the District’s accounting department.

Effect

The inability of the District to receive timely information regarding ad valorem taxes from the City of New Orleans resulted in the District making financial decisions without an accurate accounting of ad valorem tax revenue.



THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Section II - Findings Required to be Reported Under Generally Accepted Governmental Auditing Standards (Continued)**

Communications with the City of New Orleans: (2013-1) (Continued)

Recommendation

It is recommended that the management of the District continues to have an ongoing dialogue with the City of New Orleans administrators in order to obtain ad valorem tax information and other information from the City of New Orleans on a timely basis.

Management's Response

The District continues in efforts to rectify this situation with the City of New Orleans. Management and members of the Board of Commissioners from the District have met with the City Administration in an attempt to resolve this issue. While there has been improvement with the City, there is still significant progress needed in providing us with all pertinent information on a regular and timely basis. Management of the District will continue to utilize all resources at its disposal in engaging the current City Administration in resolving this matter.

**Section II – Summary of Prior Year Audit Findings**

Communications with the City of New Orleans: (2012-01)

This matter was not resolved; see repeated comment 2013-01 above.